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SUBJECT: SOUTH CHINA Q1 ECONOMIC REPORT

REF: A) GUANGZHOU 4387

B) GUANGZHOU 6592

[11](#). (U) SUMMARY: THIS REPORT REVIEWS THE 2006 FIRST QUARTER ECONOMIC AND TRADE PERFORMANCE FOR SOUTH CHINA. ECONOMIC INDICATORS FOR GUANGDONG, FUJIAN, AND HAINAN PROVINCES AS WELL AS FOR THE GUANGXI ZHUANG AUTONOMOUS REGION SHOW SIGNIFICANT GROWTH. EACH PROVINCE OR REGION RECORDED DOUBLE-DIGIT GDP GROWTH, RAPID INCREASES IN EXPORTS, AND A LEAP IN FIXED ASSET INVESTMENTS. SOUTH CHINA'S ECONOMY SHOWS NO SIGNS OF COOLING. END SUMMARY.

#### NOTE ON CURRENCY CONVERSIONS AND STATISTICS

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[12](#). (U) ALL CURRENCY CONVERSIONS IN THIS REPORT ARE MADE AT THE AVERAGE EXCHANGE RATE OF USD 1 = RMB 8.0484. UNLESS OTHERWISE NOTED, PERCENTAGE GROWTH FIGURES ARE OVER THE SAME PERIOD OF 2005. READERS SHOULD BEAR IN MIND THAT THE MAJORITY OF STATISTICS PROVIDED IN THIS REPORT ARE FROM CHINESE GOVERNMENT SOURCES. AS SUCH, THEY SHOULD BE TAKEN WITH THE PROVERBIAL GRAIN OF SALT. THEY ARE OF LIMITED RELIABILITY, AND ARE BEST USED IN COMPARISON TO OTHER TIME PERIODS. EVEN THEN, THE STATISTICS MAY BE OF LIMITED ACCURACY, SINCE THE METHODOLOGIES USED TO CALCULATE THE STATISTICS OFTEN CHANGE WITHOUT NOTICE. IN THE PAST, AUTHORITIES HAVE BEEN LOATH TO EXPLAIN ANY IRREGULARITIES OR CHANGES.

#### GUANGDONG

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[13](#). (U) IN THE FIRST QUARTER, THE PROVINCIAL ECONOMY SHOWED STEADY GROWTH, WITH A GDP OF RMB 520.641 BILLION (USD 64.69 BILLION), UP 13.7%, 1.5 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR, AND 3.5 PERCENTAGE POINTS HIGHER THAN THE NATIONAL AVERAGE. THE ADDED VALUE OF THE PRIMARY SECTOR WAS RMB 21.541 BILLION (USD 2.68 BILLION), UP 4.2%; THE SECONDARY SECTOR RMB 250.554 BILLION (USD 31.13 BILLION), UP 14.7%; THE TERTIARY SECTOR RMB 248.546 BILLION (USD 30.88 BILLION), UP 13.5%.

14. (U) THE PROVINCE'S FIXED ASSET INVESTMENTS IN THE FIRST QUARTER TOTALED RMB 123.366 BILLION (USD 15.33 BILLION), UP 19.2%, OR 4.2 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. REAL ESTATE INVESTMENTS ACCOUNTED FOR RMB 31.864 BILLION (USD 3.96 BILLION), UP 21.3%, OR 17.2 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. HOUSING SALES IN THE FIRST QUARTER REACHED 9.6566 MILLION SQUARE METERS, WORTH RMB 45.392 BILLION (USD 5.64 BILLION), UP 13.7% AND 18.6% RESPECTIVELY.

15. (U) EXPORTS GREW RAPIDLY IN THE FIRST QUARTER. THE TOTAL IMPORT/EXPORT VOLUME REACHED USD 105.77 BILLION, AN INCREASE OF 27.4%. EXPORTS TOTALED USD 58.25 BILLION, UP 28.7%, OR 6.9 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. IMPORTS TOTALED USD 47.52 BILLION, UP 25.8%, OR 19.2 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. THE TRADE SURPLUS INCREASED BY 43.8%, REACHING USD 10.73 BILLION.

16. (U) RESIDENTS' INCOME CONTINUED TO INCREASE. IN THE FIRST QUARTER, URBAN RESIDENTS' PER CAPITA DISPOSABLE INCOME REACHED RMB 4,908.89 (USD 609.92), UP 10.0%; RURAL RESIDENTS' RMB 1,609.40 (USD 199.97), UP 9.8%.

17. (U) OIL PRICES PUSHED UP TRANSPORTATION AND CARGO DELIVERY SERVICE COSTS. THE PRICE OF RICE IS EXPECTED TO RISE IN THE SECOND QUARTER. THE IMPORT DUTIES IMPOSED BY THE EU ON SHOES AND TVS MAY IMPACT THE PROVINCES EXPORTS. IT WAS REPORTED THAT CONTRACTED FOREIGN DIRECT INVESTMENTS DECREASED BY 16.5%.

#### GUANGXI

18. (U) IN THE FIRST QUARTER, GUANGXI'S GDP REACHED RMB 96.53 BILLION (USD 11.99 BILLION), UP 13.2%, THE HIGHEST GROWTH SINCE 1998.

19. (U) FIXED ASSET INVESTMENTS AMOUNTED TO RMB 31.325 BILLION (USD 3.89 BILLION), UP 34.7%, OR 8.1 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. AMONG FIXED ASSET INVESTMENTS, RMB 26.125 BILLION (USD 3.25 BILLION) WENT TO URBAN AREAS, UP 37.9% FROM THE SAME PERIOD OF LAST YEAR. RMB 458 MILLION (USD 56.91 MILLION) WAS INVESTED IN THE PRIMARY SECTOR, RMB 10.233 BILLION (USD 1.27 BILLION) IN THE SECONDARY SECTOR, AND RMB 15.434 BILLION (USD 1.92 BILLION) INTO THE TERTIARY SECTOR, UP 40.2%, 50.2% AND 30.7% RESPECTIVELY. INVESTMENTS IN REAL ESTATE DEVELOPMENT AMOUNTED TO RMB 5.247 BILLION (USD 651.93 MILLION), UP 43% FROM THE SAME PERIOD OF LAST YEAR. HOUSING PRICES REMAINED STABLE, WITH AN AVERAGE PRICE OF RMB 2,086 (USD 259.18) PER SQUARE METER, ROUGHLY THE SAME LEVEL AS LAST YEAR.

110. (U) RETAIL SALES IN THE FIRST QUARTER REACHED RMB 38.835 BILLION (USD 4.83 BILLION), UP 13.1%, THE HIGHEST GROWTH SINCE 1997. RMB 15.987 BILLION (USD 1.99 BILLION) OF THESE SALES TOOK PLACE IN RURAL AREAS.

111. (U) THE VOLUME OF FOREIGN TRADE IN THE FIRST QUARTER TOTALED USD 1.388 BILLION, UP 32.6%. EXPORTS GREW 21.5% TO REACH USD 731 MILLION. ASEAN, THE EU, THE U.S., HONG KONG AND JAPAN WERE THE FIVE BIGGEST MARKETS FOR GUANGXI'S EXPORTS. PRIVATE COMPANIES WERE THE MAJOR EXPORTERS.

112. (U) URBAN RESIDENTS PER CAPITA DISPOSABLE INCOME REACHED RMB 2,870.1 (USD 356.61), UP 9.4%. RURAL RESIDENTS' PER CAPITA INCOME GREW 18% TO REACH RMB 868 (USD 107.85), ALSO THE HIGHEST GROWTH SINCE 1997. THE RAPID RISE IN SUGAR CANE PRICES AND INCREASED SALES OF AGRICULTURAL PRODUCTS HELPED RURAL RESIDENTS' INCOME GROW.

#### FUJIAN

113. (U) IN THE FIRST QUARTER, FUJIAN'S GDP REACHED RMB 134.844 BILLION (USD 16.75 BILLION), UP 12.7%, OR 2.2

PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. THE ADDED VALUE OF THE PRIMARY, SECONDARY AND TERTIARY SECTORS WERE RMB 13.522 BILLION (USD 1.68 BILLION), RMB 68.832 BILLION (USD 8.55 BILLION) AND RMB 52.49 BILLION (USD 6.52 BILLION), UP 3.6%, 15.4% AND 12.0% RESPECTIVELY.

¶14. (U) THE THREE PILLAR INDUSTRIES - THE ELECTRONIC, MACHINERY AND PETROCHEMICAL INDUSTRIES - HAD A GROSS INDUSTRIAL OUTPUT OF RMB 87.482 BILLION (USD 10.87 BILLION), UP 22.3%.

¶15. (U) FIXED ASSET INVESTMENTS AMOUNTED TO RMB 48.23 BILLION (USD 5.99 BILLION), UP 42.2%, OR 26.2 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. URBAN REGIONS ACCOUNTED FOR RMB 42.29 BILLION (USD 5.25 BILLION) OF THESE INVESTMENTS, UP 43.8%, WHILE RURAL REGIONS ACCOUNTED FOR RMB 5.94 BILLION (USD 738.03 MILLION), UP 31.9%.

¶16. (U) RETAIL SALES TOTALED RMB 67.189 BILLION (USD 8.35 BILLION), UP 15.3%. THE PROVINCIAL GOVERNMENT STATED THAT THE INCREASED INCOME OF RESIDENTS WAS THE REASON BEHIND THE RISE IN CONSUMPTION.

¶17. (U) THE PROVINCE'S TOTAL FOREIGN TRADE VOLUME IN THE FIRST QUARTER REACHED USD 13.566 BILLION, UP 15.7%. EXPORTS ACCOUNTED FOR USD 8.593 BILLION, AND IMPORTS ACCOUNTED FOR USD 4.974 BILLION, UP 17.2% AND 13.2% RESPECTIVELY, RESULTING IN A TRADE SURPLUS OF USD 3.619 BILLION. EXPORTS OF PRIVATE ENTERPRISES REACHED USD 2.093 BILLION, UP 53.9%, ACCOUNTING FOR 24.4% OF THE PROVINCES TOTAL EXPORTS. THE FIVE BIGGEST EXPORT MARKETS, NAMELY THE U.S., JAPAN, THE EU, HONG KONG AND ASEAN, TOOK USD 6.48 BILLION, OR 75.4% OF FUJIAN'S EXPORTS. NEW MARKETS FOR FUJIAN'S EXPORTS, SUCH AS SWITZERLAND, RUSSIA, INDIA, ROMANIA, AND BRAZIL TOOK AN INCREASING SHARE OF THE PROVINCE'S EXPORTS.

¶18. (U) IN A PRICE-STABLE MARKET, FUJIAN RESIDENTS' INCOME SAW DOUBLE DIGIT GROWTH, WITH URBAN RESIDENTS EARNING AN

AVERAGE OF RMB 4,122.62 (USD 512.23) AND RURAL RESIDENTS RMB 1,315.12 (USD 163.40) IN THE FIRST QUARTER.

HAINAN

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¶19. (U) IN THE FIRST QUARTER, HAINAN'S GDP REACHED RMB 21.671 BILLION (USD 2.69 BILLION), UP 11.7%, OR 3.2 PERCENTAGE POINTS HIGHER THAN THE SAME PERIOD OF LAST YEAR. THE ADDED VALUE OF THE PRIMARY, SECONDARY AND TERTIARY SECTORS WAS RMB 6.604 BILLION (USD 820.54 MILLION), RMB 5.447 (USD 676.78 MILLION) AND RMB 9.62 (USD 1.20 BILLION) RESPECTIVELY, UP 8.5%, 17.4% AND 10.9%.

¶20. (U) FIXED ASSET INVESTMENTS TOTALED RMB 6.463 BILLION (USD 803.02 MILLION), UP 19.5%. URBAN REGIONS CLAIMED RMB 6.136 BILLION (USD 762.39 MILLION) OF THESE INVESTMENTS, WHILE RURAL REGIONS RMB 328 MILLION (USD 40.75 MILLION), UP 19.5% AND 20.7% RESPECTIVELY. IN THE URBAN AREAS, RMB 89 MILLION (USD 11.06 MILLION) WAS INVESTED IN THE PRIMARY SECTOR, DOWN 28.0%; RMB 2.588 BILLION (USD 321.55 MILLION) IN THE SECONDARY SECTOR, UP 8.6%; AND RMB 3.459 BILLION (USD 429.77 MILLION) IN THE TERTIARY SECTOR, UP 31.6%.

21 (U) RETAIL SALES TOTALED RMB 7.538 BILLION (USD 936.58 MILLION), UP 13.7%. RETAIL SALES IN URBAN REGIONS WERE RMB 5.999 BILLION (USD 745.36 MILLION) AND RMB 1.539 BILLION (USD 191.22 MILLION) IN RURAL AREAS, UP 14.4% AND 10.8% RESPECTIVELY.

¶22. (U) RESIDENTS INCOME CONTINUED TO GROW. THE PER CAPITA DISPOSABLE INCOME OF URBAN RESIDENTS REACHED RMB 2,924 (USD 366.30) AND RURAL RESIDENTS RMB 947 (USD 117.66), UP 17.9% AND 7.7% RESPECTIVELY.

¶23. (U) THE PROVINCE'S FOREIGN TRADE VOLUME REACHED USD 651.39 MILLION, UP 18.86%. EXPORTS WERE VALUED AT USD 312.75 MILLION, WHILE IMPORTS WERE VALUED AT USD 338.64

MILLION, UP 54.4% AND DOWN 2% RESPECTIVELY. HAINAN'S EXPORTS TO THE U.S. REACHED USD 60.65 MILLION, UP 151.9%, AND TO JAPAN USD 25.53 MILLION, UP 4.2%. GROWTH AMONG HAINAN'S EXPORTED PRODUCTS INCLUDED MACHINERY (USD 102.73 MILLION), UP 259%; TEXTILES (USD 39.34 MILLION), UP 3.91%; AQUATIC PRODUCTS (USD 30.32 MILLION), UP 66.23%; AND FURNITURE (USD 12.39 MILLION), UP 6.99%.

MARTIN